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CLERK, U.S. DISTRICT COURT
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[Additional counsel on
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ADR

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
(SAN JOSE DIVISION)

CHRL

RITZ CAMERA & IMAGE, LLC)
a Delaware Limited Liability Company,)

C V 10-02787

HRL

On Behalf of Itself and Others)
Similarly Situated)

**RELATED CASES: C 04-4379-JF,
C 05-5021 JF, C 05-4691 JF,
C 08-2332 JF**

Plaintiff,)

v.)

**COMPLAINT
CLASS ACTION
ANTITRUST**

SANDISK CORPORATION,)
ELIYAHOU HARARI,)

Defendants.)

JURY TRIAL DEMANDED

1 This matter is related to *SanDisk Corp. v. STMicroelectronics, Inc. et al.*, Case No.
2 5:04-cv-4379 (Fogel, J.), and other cases that have been consolidated with that case. *See*
3 proposed Administrative Motion to Consider Whether Cases Should Be Related (draft copy
4 affixed as Appendix A hereto).

5
6 On behalf of itself and other similarly-situated direct purchasers of flash memory
7 products from the SanDisk Corporation (“SanDisk”) and from manufacturing joint ventures
8 controlled by SanDisk, Ritz Camera & Image, LLC (“RCI”) alleges as follows:

10 SUMMARY OF CLAIMS

11 1. Flash memory chips and cards (collectively “cards” or “flash memory”) are
12 used to store digital information for mobile phones, digital cameras, digital video
13 camcorders, gaming devices, portable digital audio/video players, personal computers, and
14 global positioning systems (“GPS”).

15
16 2. SanDisk has controlled the worldwide production of flash memory cards by
17 obtaining fraudulent patents (“fraudulent patents”) by committing willful and knowing fraud
18 on the United States Patent and Trademark Office (“USPTO”). It has used those fraudulent
19 patents to monopolize the relevant market for flash memory by asserting infringement of
20 those patents against competitors and their customers.

21
22 3. SanDisk has acted to monopolize the relevant market for flash memory in part
23 by entering into joint venture, license, and other agreements with Toshiba Corporation to
24 produce flash memory marketed by SanDisk and Toshiba through manufacturing joint
25 ventures.
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1 4. Also in aid of its monopolization, SanDisk – in concert with Eliyahou Harari,
2 a former officer of competitor Wafer Scale Integration, Inc. (“WSI”) – has tortiously
3 converted the ownership of other flash memory patents (“converted patents”) from WSI (and
4 its successor STMicroelectronics (“STM”)). At the same time as – or subsequent to – some
5 of this unlawful conduct Harari became the founder of SanDisk and is the current Chairman
6 and Chief Executive Officer of SanDisk.
7

8
9 5. As a consequence, SanDisk controls over 75% of all flash memory cards sold
10 worldwide (and, in the alternative, over 98% of all high-density flash memory chips, flash
11 drives, or cards), through sale, joint ventures, and licensing agreements with licensees.
12

13 6. SanDisk has used this control to monopolize the relevant market for flash
14 memory products made with flash memory as their primary or only input, and as a
15 consequence have charged above-competitive, monopoly prices to Plaintiff and other direct
16 purchasers of these flash memory products.
17

18 7. Such SanDisk flash memory sold to members of the proposed Class include
19 in part:

- 20 • flash memory cards for digital cameras, camcorders;
- 21 • USB external memory drives, and personal computer memory sticks;
- 22 • flash memory cards for digital storage in mobile telephones;
- 23 • flash memory cards for digital media players, allowing purchasers to
24 download and store music and video; and
25
26
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- flash memory cards for personal computer and enterprise server storage.

8. Further, SanDisk has threatened members of the proposed Class against purchasing flash memory from SanDisk's competitors, including STM, which contain technology covered by SanDisk's fraudulent and converted patents. SanDisk has told direct purchasers that they will be left holding large quantities of unusable flash memory manufactured by those that refuse to license SanDisk's fraudulent or converted technology. SanDisk has also warned these businesses that they will be made to purchase flash memory products at disadvantageous prices and terms if they are later forced to turn to SanDisk for product.

9. SanDisk manufactures the vast majority of its flash memory cards using at least three fabrication joint ventures with Toshiba, which produce the memory at Toshiba's Yokkaichi factory in Japan. SanDisk terms these Toshiba cards as "captive supply."

10. By virtue of this monopolization, worldwide purchasers of flash memory products from SanDisk and joint ventures controlled by SanDisk ("Class of Direct Purchasers of SanDisk Flash Memory Products") have paid above-competitive, monopoly prices for these products since June 25, 2006.

JURISDICTION AND VENUE

11. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1337 (commerce and antitrust regulation) and 1331 (federal question), as this action arises under Section 2 of

1 the Sherman Act (15 U.S.C. § 2), and Sections 4 and 16 of the Clayton Act (15 U.S.C.
2 §§ 15(a) and 26).

3
4 12. Venue is proper because SanDisk resides within this judicial district as
5 provided in 28 U.S.C. § 1391(b) and (c), and as provided in Sections 4 and 12 of the Clayton
6 Act (15 U.S.C. §§ 15 and 22).

7 8 **PARTIES**

9 13. Plaintiff RCI is a Delaware limited liability company headquartered in
10 Beltsville, Maryland. It is the successor in interest of Ritz Camera Centers, Inc. (“RCC”).
11 RCI and RCC are collectively referred to as “Ritz Camera.” Over the last four years Ritz
12 Camera has directly bought tens of millions of dollars of flash memory products from
13 SanDisk.
14

15 14. SanDisk Corporation is a Delaware corporation headquartered in Sunnyvale,
16 California. It and its licensees are the world’s largest suppliers of flash memory cards.
17

18 15. Eliyahou Harari is a former director and officer of WSI, which was purchased
19 by STM. He is a founder of SanDisk and is its current Chairman and Chief Executive
20 officer. He resides in Los Gatos, California.
21

22 **CLASS ACTION ALLEGATIONS**

23 **Class of Direct Purchasers of SanDisk** 24 **Flash Memory Products**

25 16. Plaintiff Ritz Camera (“Class Representative”) is a representative of a class of
26 persons in the United States who, on or after June 25, 2006, directly purchased SanDisk flash
27 memory products sold worldwide by SanDisk and joint ventures controlled by SanDisk.
28

1 Such products include, without limitation, those sold in SanDisk's channels dedicated to
2 retail firms, original equipment manufacturers ("OEMs"), and distributors.

3
4 **Rule 23(a) Prerequisites**

5 17. Prosecution of the claims of the Class as a class action is appropriate because
6 the prerequisites of Rule 23(a) of the Federal Rules of Civil Procedure are met:

7 (a) The number of persons in the Class numbers in the thousands, and the
8 members of the Class are therefore so numerous that joinder of all members of the Class is
9 impracticable. Joinder is also impracticable because of the worldwide geographic diversity
10 of the members of the Class, the need to expedite judicial relief, and the Class
11 Representative's lack of knowledge of the identity and addresses of all members of the Class.
12

13 (b) There are numerous questions of law and fact arising from the pattern
14 of Defendants' deceptive and anti-competitive conduct which are common to the members
15 of the Class. These include, but are not limited to, common issues as to (1) whether SanDisk
16 has fraudulently obtained and converted flash memory patents; (2) whether SanDisk has
17 monopolized a worldwide relevant market(s) for flash memory products and has monopoly
18 power in the relevant market(s); and (3) whether this monopolization has caused members
19 to pay unlawful, above-competitive prices to SanDisk for SanDisk flash memory products
20 sold by them. In addition, there are common issues as to the amount of monetary relief
21 available to the members of the Class.
22

23 18. The claims of the Class Representative are typical of the claims of the members
24 of the Class and fairly encompass the claims of the members of the Class. The Class
25
26
27
28

1 Representative and the members of the Class are similarly or identically harmed by the same
2 systematic and pervasive conduct in part because they have paid monopoly, above-
3 competitive prices for SanDisk flash memory products.
4

5 19. The Class Representative and its counsel will fairly and adequately protect the
6 interests of the members of the Class. There are no material conflicts between the claims of
7 the Class Representative and the members of the Class making class certification
8 inappropriate. Counsel for the Class will vigorously assert the Class Representative's claims
9 and those of the members of the Class.
10

11 **Rule 23(b)(2) Prerequisites**
12

13 20. In addition, the prosecution of the claims of the Class as a class action pursuant
14 to Rule 23(b)(2) is appropriate because Defendants have acted, or refused to act, on grounds
15 generally applicable to the Class, thereby making appropriate final injunctive relief, or
16 corresponding declaratory relief, for the Class as a whole.
17

18 **Rule 23(b)(3) Prerequisites**

19 21. In addition, the prosecution of the claims of the Class as a class action pursuant
20 to Rule 23(b)(3) is appropriate because:
21

22 (a) The questions of law or fact common to the members of the Class
23 predominate over any questions affecting only its individual members; and
24

25 (b) A class action is superior to other methods for the fair and efficient
26 resolution of the controversy.
27
28

**WORLDWIDE RELEVANT MARKET FOR
FLASH MEMORY PRODUCTS**

22. In a relevant product market (“Flash Memory Relevant Market”) SanDisk sells flash memory products using flash memory chips and cards as the only or primary input. These products employ patented technology claimed by SanDisk to be its own. These products are used as components in a wide array of consumer, camera, mobile telephone, digital player, and computing products. Consumers of flash memory do not view other products as substitutes for flash memory products. Flash memory products have demand and pricing that is distinct from other products, and there are no substitutes to which manufacturers of consumer, camera, computing and other products would switch in response to a small, non-transitory increase in the pricing for flash memory products.

23. Over 75% of all flash memory products sold worldwide are either (a) manufactured and sold by SanDisk using in part licensed joint ventures controlled by SanDisk; or (b) manufactured by other licensees of the SanDisk flash memory technology controlled by SanDisk.

24. With its controlled ventures and licensees, SanDisk has the power to control prices in, and restrict entry into, the relevant market. It has created and maintained a monopoly in the relevant flash memory products market Flash Memory Relevant Market.

25. Alternatively or in addition to, the relevant product market consists of flash memory cards with densities of 4GB or greater (“High-Density Flash Memory Relevant Market”). There are no substitutes for high-density flash memory products to which

1 producers of consumer, camera, computing and other products would switch in response to
2 a substantial and significant increase in price for high-density flash memory products.

3
4 26. Over 98% of all high-density flash memory products worldwide are either (a)
5 manufactured and sold by SanDisk using in part licensed joint ventures controlled by
6 SanDisk; or (b) manufactured by other licensees of the SanDisk flash memory technology
7 controlled by SanDisk.
8

9 27. With its controlled ventures and licensees, SanDisk has the power to control
10 prices in, and restrict entry into, the relevant market. It has created and maintained a
11 monopoly in the High-Density Flash Memory Relevant Market.
12

13 28. Either relevant product market shall be referred to below for convenience as
14 the Flash Memory Relevant Market or relevant market.

15 29. In part through its control of Toshiba and other licensees, SanDisk has the
16 power to control prices in – and restrict entry into – the relevant market. SanDisk has created
17 and maintained a monopoly in the relevant market.
18

19 30. The geographic scope of the relevant market is worldwide, or, in the
20 alternative, every country in which SanDisk contends it has patent rights over technology that
21 is an essential input to manufacturing Flash Memory Relevant Market.
22

23 31. The Flash Memory Relevant Market is characterized by high barriers to entry
24 and expansion as a result of, among other things, SanDisk's purported ownership of patents
25 covering technology necessary to manufacture flash memory cards for flash memory
26 products; its unlawful assertion of fraudulently obtained or converted patents to control entry
27
28

1 and expansion within the Flash Memory Relevant Market; and the extremely high costs
2 necessary to enter the market.

3 **EXCLUSIONARY CONDUCT**

4
5 32. Flash memory is memory that can be erased electronically. Flash memory
6 allows data to be stored in a durable, compact format that retains the data after the power has
7 been turned off.

8
9 33. SanDisk competes in a worldwide relevant market to sell flash memory
10 products to firms in the proposed Class.

11 34. Through a continuing pattern of concerted exclusionary conduct, SanDisk has
12 created and maintained a monopoly in the relevant market and – directly and through its joint
13 ventures – has sold SanDisk technology at above competitive prices.

14
15 35. SanDisk has done so by (a) fraudulently obtaining patents from the USPTO
16 and using them to restrain competition in part by suing STM and other competitors claiming
17 infringement and threatening their customers; and (b) converting other flash memory patents
18 to its competitive use which are rightfully the property of its former primary competitor,
19 STM (by virtue of its merger with WSI).
20

21
22 36. SanDisk's exclusionary conduct has harmed competition in the relevant market
23 by, among other things, increasing the prices of flash memory products paid by members of
24 the proposed Class to above-competitive, monopoly levels.
25
26
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**Fraudulent Acquisition of Patents from the
United States Patent and Trademark Office
(Walker Process Claim)**

37. Over the past decade, SanDisk has fraudulently obtained patents from the United States Patent and Trademark Office (“USPTO”), including but not limited to U.S. Patent Number 5,172,338 (the “’338 patent”) and U.S. Patent Number 5,991,517 (the “’517 patent”). In so doing SanDisk deliberately failed to disclose material information – including key prior art – at times when that key prior art was known to SanDisk and SanDisk had a duty to disclose that prior art to the USPTO.

38. Furthermore, SanDisk made representations to the USPTO that were material to the patentability of its then pending patent claims which it knew to be false. The material false representations and omissions were intended to induce and did induce reliance by the patent examiners charged with determining whether to grant SanDisk’s patent claims.

39. Indeed, as reflected in the patent examiners’ “reason for allowance,” the USPTO unquestionably relied on San Disk’s material false statements and omissions as a principal reason for allowing SanDisk’s patent claims to issue. But for SanDisk’s material false statements and omissions, the claims of the ’338 patent and ’517 patent could not have issued as written.

SanDisk’s Original Prosecution of the ’338 Patent

40. The ’338 patent was issued on December 15, 1992. According to its abstract, the patent describes “[i]mprovements in the circuits and techniques for read, write and erase

1 of EEPROM memory [that] enable non-volatile multi-state memory to operate with enhanced
2 performance over an extended period of time.”

3
4 41. The words “permanent inhibit” appear nowhere in any portion of the
5 specification or the prosecution history of the ’338 patent before December 15, 1992.

6 **Reexamination of the ’338 Patent**

7
8 42. On January 11, 1996, SanDisk filed a complaint with the United States
9 International Trade Commission (“ITC”) asserting that Samsung Corporation infringed claim
10 27 of the ’338 patent as well as claims of another patent.

11
12 43. In its defense, Samsung claimed (as did STM in a related matter before this
13 Court) that prior art disclosed an electrically erasable programmable read only memory
14 (“EEPROM”) function where incremental charges are added to the EEPROM until an
15 individual cell reads in the correct state, and once the correct charge is attained, the
16 application of any additional charge is inhibited so long as the cell is in its correct state. This
17 is known as an “incremental” or “temporary” inhibit.

18
19 44. As a result of this prior art, SanDisk and Samsung filed requests for
20 reexamination of the ’338 patent on September 15 and 17, 1996, respectively. They based
21 the request on the 1983 article, *An Improved Method for Programming a Word-Erasable*
22 *EEPROM*, authored by Dr. Guido Torelli in an Italian publication, *Alta Frequenza-Scientific*
23 *Review in Electronics*, and the product brochures and technical notes for certain SGS
24 Thompson (STM’s predecessor in interest) products, the M206, M293, and M490/491
25
26
27
28

1 integrated circuits. Samsung argued that the claim limitation described incremental
2 inhibition.

3
4 45. SanDisk argued claim 27 was patentable because the inhibit function was
5 “permanent” and not incremental or temporary, that this structure was latch 721 shown in
6 Figure 16, and that a person of ordinary skill in the art would know that latch 721 operates
7 as a “one-way latch” required for a permanent inhibit.
8

9 46. The USPTO relied on these and other SanDisk representations in deciding to
10 confirm the patentability of these claims. For example, in his reasons for confirming the
11 patentability of claim 27, the patent examiner stated that “the inhibiting feature recited in
12 [the] claims of the ’388 patent is enabled by latch 721 in Figure 16 which is a one-way
13 resettable latch.” (’388 Re-Exam, Reexamination Reasons for Patentability/Confirmation,
14 April 16, 1997, at 3.)
15

16 47. The SanDisk representations in this regard were false. Latch 721 is a standard,
17 two-way data latch and the inventors of the ’338 patent had published an article – not
18 disclosed to the examiner – that described an identically drawn latch as just that – a standard
19 two-way data latch.
20

21 **Prosecution of the ’517 Patent**

22
23 48. The prosecution leading to the ’517 patent overlapped the USPTO’s
24 reexamination of the ’338 patent. At least in part, the ’517 patent was intended to claim a
25 permanent inhibit function without several of the claim limitations that exist in the ’338
26 patent.
27
28

1 49. SanDisk sought claims based on the '338 patent in the '517 patent family in
2 December 1996. SanDisk stated that the "claims being substituted into this application are
3 directed to inhibiting, cell by cell, further application of voltages to a plurality of cells when
4 the individual cells are verified to have reached their desired states." This was the first
5 mention of "cell by cell" inhibition anywhere in the chain of prosecutions leading to the '517
6 patent, and was done after the discovery of the Torelli article.
7

8
9 **SanDisk's Multiple Failures to Disclose Prior Art**
10 **and Misrepresentations**

11 50. At all times relevant to the reexamination of the '338 patent and the
12 prosecution of the '517 patent, SanDisk and its agents had a duty to disclose to the USPTO
13 all information known to SanDisk that was material to the question of patentability. SanDisk
14 also owed a duty of good faith and candor, which encompassed a duty to disclose prior art.
15 For each of these two patents, SanDisk owed these duties from the time it made its
16 application to the time the USPTO issued the patent. For the '338 reexamination, SanDisk
17 also owed these duties from the time it made its request for reexamination to the time the
18 USPTO issued its certificate of confirmation.
19

20
21 51. As described below, persons substantially involved with the prosecution of the
22 SanDisk patents repeatedly failed to disclose material prior art. Had SanDisk disclosed this
23 prior art, the claims of the '338 patent would not have survived reexamination and the claims
24 of the '517 patent would not have issued as written.
25

26 52. A single law firm ("the SanDisk law firm") prosecuted both the '338 patent
27 application and reexamination, as well as the '517 patent application on behalf of SanDisk.
28

1 Since at least February 1996, that law firm maintained a database of prior art references to
2 assist in the preparation of San Disk's patent applications. That database contained the
3 following prior art.
4

5 **The Simko Patents**

6 53. On December 26, 1989, and January 29, 1991, the USPTO issued U.S. Patent
7 Number 4,890,259 (the "259 patent") and U.S. Patent Number 4,989,179 (the "179
8 patent"), respectively, to Richard Simko (collectively, the "Simko patents".) Both Simko
9 patents disclose a "permanent inhibit" programming system. SanDisk knew about the Simko
10 patents no later than January 5, 1993, when the SanDisk law firm disclosed those patents in
11 a separate SanDisk patent prosecution that ultimately resulted in the issuance of U.S. Patent
12 No. 5,293,560. The SanDisk law firm also disclosed the Simko patents on July 8, 1993, in
13 a prosecution that resulted in the issuance of U.S. Patent No. 5,422,842. Accordingly,
14 SanDisk knew about the Simko patents years before the conclusion of SanDisk's '338
15 reexamination and '517 prosecution.
16
17
18

19 54. In arguing to the USPTO that the claims of the '338 and '517 patents were
20 directed to "permanent inhibit," SanDisk was obligated to inform the USPTO of the
21 existence of the prior art Simko patents. However, SanDisk never disclosed the Simko
22 patents to the USPTO during either the reexamination of the '338 patent or the prosecution
23 of the '517 patent, despite the fact that Dr. Simko was a litigation consultant to SanDisk.
24
25

26 55. SanDisk's failure to disclose the Simko patents was intended to deceive the
27 patent examiner into believing that SanDisk's claimed "inhibit" invention was novel. A
28

1 reasonable patent examiner would have been influenced by SanDisk's failure to disclose the
2 Simko patents, and the patent examiner did rely, as is reflected in the examiner's reasons for
3 allowance. Had SanDisk disclosed the Simko patents, the claims of the '338 patent would
4 not have survived reexamination and the claims of the '517 patent would not have issued as
5 written.
6

7 **The JP-100 Patent**

8
9 56. On February 13, 1986, Toshiro Koyama and Tsugio Tawara published the
10 Japanese Laid Open Patent Application JP S62-188100 (the "JP-100 patent"). Like the
11 Simko patents, the JP-100 patent discloses a "permanent inhibit" programming system.
12 Persons substantially involved in the prosecution of the '517 patent and the reexamination
13 of the '338 patent knew of the JP-100 patent no later than December 30, 1998. Accordingly,
14 SanDisk knew about the JP-100 patent well before the conclusion of SanDisk's '517
15 prosecution in November 1999.
16

17
18 57. The JP-100 patent was material to the patentability of the then pending '517
19 patent claims. This fact is confirmed by the decisions of two different patent examiners to
20 whom the JP-100 patent was revealed. SanDisk prosecuted a foreign counterpart to the '517
21 patent in Japan, with a claim drafted in nearly identical language to claim 1 of the '517
22 patent. On October 23, 2001, the Japanese Appeal Board rejected this claim as obvious over
23 the JP-100 patent prior art.
24

25
26 58. Similarly, in the prosecution of the U.S. Patent Application File No.
27 09/129,675, SanDisk initiated interference proceedings before the USPTO in which it
28

1 asserted a claim drafted to cover nearly identical subject matter as claim 1 of the '517 patent
2 (the "Ohuchi Interference"). On July 12, 2006, the USPTO rejected SanDisk's interference
3 claims as obvious over the JP-100 patent prior art. Thus, whenever a patent examiner
4 considering the patentability of claims like claim 1 of the '517 has become aware of the JP-
5 100 patent, the claim under consideration was rejected.
6

7
8 59. Because, *inter alia*, SanDisk was arguing to the USPTO that the claims of the
9 '517 patent were directed to "permanent inhibit," SanDisk was obligated to inform the
10 USPTO of the existence of the prior art JP-100 patent. However, SanDisk never disclosed
11 the JP-100 patent to the USPTO at any time during the '517 prosecution. SanDisk's failure
12 to disclose the JP-100 patent was intended to deceive the patent examiner into believing that
13 SanDisk's claimed "inhibit" invention was novel.
14

15 60. SanDisk succeeded in this deception effort. A reasonable patent examiner
16 would have relied on San Disk's failure to disclose the JP-100 patent, and the patent
17 examiner did rely as reflected by the examiner's allowance of claim 1. Had SanDisk
18 disclosed the JP-100 patent, the claims of the '517 patent would not have issued as written.
19

20 **The Sparks Patent**

21
22 61. On June 28, 1979, the USPTO issued U.S. Patent Number 4,752,871 (the
23 "Sparks patent") to Robert Sparks, *et al.* The Sparks patent discloses bulk erasing and
24 loading of multiple arrays simultaneously. SanDisk knew about the Sparks patent no later
25 than May 24, 1993, well before the conclusion of the '338 reexamination and the '517
26 prosecution.
27
28

1 62. On May 24, 1993, the SanDisk law firm filed an amendment responding to the
2 USPTO's rejection of another SanDisk patent application, the 763,851 application (the "'851
3 application"), based on the prior art of the Sparks patent. The SanDisk law firm continued
4 to argue about the relationship between the '851 application and the Sparks patent, including
5 in a USPTO filing on April 5, 1996.

7 63. Claim 64 of the '338 patent (which SanDisk added during the reexamination)
8 and claim 11 of the '517 patent both claim bulk erasing and loading of multiple arrays
9 simultaneously. Accordingly, SanDisk was obligated to inform the USPTO about the prior
10 art of the Sparks patent for the '338 reexamination and the '517 prosecution. SanDisk's
11 failure to disclose the Sparks patent was intended to deceive the patent examiner. A
12 reasonable patent examiner would have relied, and the patent examiner did rely, on
13 SanDisk's failure to disclose the Sparks patent. The '338 patent and certificate of
14 confirmation and the '517 patent would not have been issued had SanDisk disclosed the prior
15 art.
16
17
18

19 **The GB 145 Patent**

20 64. On June 28, 1979, Hartmut Schrenk filed United Kingdom Patent application
21 GB 2 029 145 A ("GB 145 patent"). That patent disclosed inhibiting the individual erasing
22 of any addressed cell verified to have reached its intended erase state while enabling further
23 erasing in parallel to other addressed cells not verified. The patent was published on June
24 16, 1982. Thus persons at SanDisk substantively involved for SanDisk in the prosecution
25 of the '338 reexamination, and the application that lead to the '517 patent, knew of the GB
26
27
28

1 145 patent no later than February 23, 1996. The SanDisk law firm filed an Information
2 Disclosure Statement citing the GB 145 patent on December 30, 1998 in SanDisk's Patent
3 Application No. 09/129/675. Accordingly, SanDisk knew about the GB 145 patent well
4 before the conclusion of the '338 reexamination and the '517 prosecution.
5

6 65. At least claim 40 of the '338 patent and claims 1, 2, 4, 6, and 10 of the '517
7 patent claim the same innovations that the GB 145 patent disclosed. SanDisk was therefore
8 obligated to disclose the GB 145 patent in the '338 reexamination and '517 prosecution, and,
9 insofar as it knew about the GB 145 patent at the time, in the '338 prosecution as well. The
10 GB 145 patent is unquestionably material to SanDisk's patent claims, because the
11 Administrative Law Judge of the United States International Trade Commission has held that
12 the GB 145 patent anticipates '517 patent claims 1, 6, and 10, rendering the patent invalid.
13 (See 560 ID at 115-117.)
14

15
16 66. SanDisk's failure to disclose the GB 145 patent was intended to deceive the
17 USPTO. A reasonable patent examiner would have relied, and the patent examiner did rely,
18 on San Disk's failure to disclose the GB 145 patent, in the '338 patent and certificate of
19 confirmation. The '517 patent would not have been issued had SanDisk disclosed the prior
20 art.
21

22 **The Inventor's VLSI Paper**

23
24 67. As described above, throughout the '338 reexamination, SanDisk repeatedly
25 and knowingly misrepresented Figure 16 of the '338 patent as disclosing a "one-way latch"
26 when, in fact, it discloses only a standard two-way data latch.
27
28

1 68. In 1992, a named inventor of the '338 and '517 patents, presented a paper co-
2 authored by another named inventor of the '338 and '517 patents to the VLSI (Very Large
3 Scale Integration) Symposium in Seattle, Washington. Figure 5 of the VLSI Symposium
4 paper is identical to Figure 16 of the '338 patent, but describes the latch (including its reset
5 latch) as a standard data latch, not a "one-way latch."
6

7 69. Despite its obligation to do so, SanDisk never disclosed as prior art the VLSI
8 paper during the reexamination of the '338 patent. Instead, SanDisk repeatedly and falsely
9 represented to the examiner and others that Figure 16 was a "one-way latch." SanDisk knew
10 those representations were false when it made them, and made the representations and failed
11 to disclose the prior art of the VLSI paper with an intent to deceive. A reasonable patent
12 examiner would have relied, and the patent examiner did rely, on SanDisk's
13 misrepresentations and failure to disclose the VLSI paper in granting a certificate of
14 confirmation for the '338 patent. The certificate of confirmation would not have been issued
15 had SanDisk not made misrepresentations and failed to disclose the prior art.
16
17

18 70. In 2006, SanDisk filed the application that led to the '517 patent for the
19 specific purpose of broadening SanDisk's rights and jettisoning the means-plus-function
20 limitations of the '338 patent:
21
22

23 The principal purpose of the present application is to define the cell-by-cell
24 inhibition programming feature without all the other limitations included in
25 claim 27 of the '338 patent that are not necessary to its patentability. The
26 feature of inhibiting programming on a cell-by-cell basis until all cells in a
27 group are programmed (also referenced as 'termination') is patentable by
28 itself.

1 ('517 File History, Second Preliminary Amendment filed December 23, 1997 at 9-10,
2 emphasis added.) SanDisk could not have made this statement if the Simko patents had been
3 disclosed to the USPTO.
4

5 71. SanDisk also never cited two additional permanent-inhibit references – the GB
6 145 patent and the JP 100 patent – about which it was aware. Disclosure of those references
7 would have prevented SanDisk from representing that permanent inhibit is patentable by
8 itself.
9

10 72. SanDisk and its prosecuting attorney unquestionably knew of the JP 100 and
11 the GB 145 patent at the time they were prosecuting the '517 application. In a filing in the
12 Ohuchi Interference on December 3, 1998, for example, SanDisk's prosecuting attorney told
13 the USPTO that he had reviewed the Ohuchi patent file history. That file history is replete
14 with substantive discussions of the JP 100 patent and GB 145 patent prior art – and the fact
15 that they disclose permanent inhibit. Thus, by arguing to the USPTO in the '517 prosecution
16 that permanent inhibit was patentable by itself, SanDisk intentionally misled the USPTO as
17 to the patentability of the '517 patent's claims.
18
19

20 73. If SanDisk had not fraudulently obtained the patents described above and
21 wrongfully enforced those patents against competitors, the technology embodied in those
22 patents would be freely available to competing providers of flash memory products, with the
23 result that there would be more competition and lower prices in the relevant market.
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**Concerted Conduct to Convert
the MSI/STM Patents**

74. In support of its monopolization, SanDisk and Harari have conspired to disadvantage SanDisk's major competitor, STM, by fraudulently converting to SanDisk control STM's flash memory patents (other than the '338 and '517 patents). In so doing, SanDisk and Harari have competitively disadvantaged STM and suppressed competition in the manufacture of flash memory products.

75. Harari had served as an employee, officer, consultant and/or director of WSI.

76. WSI was co-founded in 1983 by Harari. It designed and sold programmable system devices, including memory systems and nonvolatile memories. While Harari was an officer and/or director of WSI, it was designing and developing flash memory products.

77. On July 27, 2000, STM and WSI merged, with STM remaining as the surviving corporation. Pursuant to the Agreement and Plan of Merger between STM and WSI, STM succeeded to "all rights and property" of WSI.

78. Harari served numerous roles at WSI between its founding on August 1, 1983, and his resignation in March of 1989, including:

- Chief Executive Officer (CEO): August 1, 1983 until June 11, 1986;
- Chief Technology Officer (CTO): June 11, 1986 until February 28, 1988;
- Director: August 1, 1983 until March 15, 1989; and
- Chairman of the Board: November 30, 1983 until June 15, 1985, and again from June 11, 1986 until February 28, 1988.

Harari's Patent Assignment Obligation

79. Early in the period that Harari was an employee, officer and director of WSI, he signed two agreements with the company: (1) an Employee Agreement Regarding Confidentiality and Inventions dated February 22, 1984 (the "Inventions Agreement"), and (2) a Key Employee Agreement dated February 27, 1984 (the "Key Employee Agreement").

80. Through the Inventions Agreement, Harari agreed to the following:

2. I will maintain in confidence and *will not disclose or use, either during or after the term of my employment without the prior written consent of [WSI], any proprietary or confidential information or know-how belonging to [WSI]* Upon termination of my employment or at the request of my supervisor before termination, I will deliver to [WSI] all written and tangible material in my possession incorporating the Proprietary Information or otherwise relating to [WSI's] business. . . .

3. I will promptly disclose and describe to [WSI] (i) all inventions, improvements, discoveries and technical developments ("Inventions"), whether or not patentable, made or conceived by me, either alone or with others, during the term of my employment, provided that [WSI] shall receive such information in confidence. *I hereby assign and agree to assign to [WSI] my entire right, title and interest in and to such Inventions which relate in any way to or are useful in [WSI's] business as presently conducted or as conducted at any future time during my employment, and agree to cooperate with WSI and its designee(s) both during and after my employment in the procurement and maintenance, at [WSI's] expense and at its discretion, of patents, copyrights, and/or other protection of [WSI's] rights in such inventions.* I will keep and maintain adequate and current written records of all such Inventions, which shall be and remain the property of the [WSI].

4.

(c) *During my employment by [WSI] I will not engage in any employment, consulting or other activity in any business without [WSI's] express written agreement.*

(Emphasis added).

WSI's Development of Flash Memory Chips

81. WSI, a company which designed and produced various kinds of semiconductor memory (memory on a chip) for computers and electronic devices, dedicated substantial resources and effort to research and development of new memory technologies.

82. Semiconductor memory can be either volatile or nonvolatile. Volatile memory requires a power source to maintain data in memory, while nonvolatile memory requires no power to retain data.

83. The main memory in computers has traditionally been dynamic random access memory ("DRAM") or static random access memory ("SRAM") both of which are volatile memories. Thus, if the computer is turned off, any data stored in DRAM or SRAM will be lost.

84. Computers have also used nonvolatile memories such as read only memory ("ROM") and programmable read only memory ("PROM") and electrically programmable read-only memory ("EPROM").

85. In the late 1980s, when Harari was still an employee, officer and director of WSI, a new nonvolatile memory technology called electrically erasable programmable read only memory ("EEPROM" or "E²PROM") was developed which offered a substantial advantage over ROM, PROM or EPROM because it was electrically reprogrammable. When an EEPROM is quickly erasable and reprogrammable it is referred to as "flash EEPROM," or "flash memory." If the computer is turned off, data in these memories are not lost.

1 86. While Harari was its chief technical officer, WSI began development work on
2 flash memory. By at least 1987, WSI was involved in research and development efforts
3 regarding flash memory technology. By 1989, WSI had a prototype flash memory product,
4 and was anticipating revenues from this line of business. As an employee, CTO and/or
5 director of WSI, Harari was aware of WSI's research and development efforts with regard to
6 flash memory.
7

8
9 87. As a director and officer of WSI, Harari was in a position of trust and
10 confidence and had fiduciary obligations, including at least the following: (a) to act in good
11 faith and in the best interests of WSI and its shareholders; (b) to put the interests of WSI and
12 its shareholders ahead of his private interests; (c) to not enter into any business in competition
13 with WSI; (d) to bring business opportunities in the line of business of WSI to the attention
14 of WSI and not to appropriate the opportunity for himself; (e) to protect and preserve the
15 assets of WSI; and (f) to disclose material facts to WSI concerning his business dealings in
16 the same field as WSI's business endeavors.
17

18
19 88. In concert with SanDisk, and in aid of its monopolization, Harari violated these
20 obligations to convert STM flash memory patents to SanDisk.
21

22 **Harari Filed Four Patent Applications While a Director of**
23 **and Consultant to WSI, But Did Not Assign Them to WSI**

24 89. WSI, in order to protect its intellectual property, routinely applied for United
25 States patents to cover inventions developed in the course of its business. As an employee,
26 officer, and director of WSI, Harari had fiduciary and contractual obligations to assist WSI
27
28

1 with the protection of its intellectual property, and to assign inventions which related to WSI's
2 business to WSI.

3
4 90. Harari and WSI entered into an agreement dated February 29, 1988 (the
5 "Consulting and Directorship Agreement".) In this agreement Harari resigned his duties as
6 an employee and officer of WSI effective February 28, 1988.

7
8 91. In the Consulting and Directorship Agreement, WSI and Harari also agreed that:
9 (a) WSI would continue to nominate Harari as a director until an IPO took place; (b) Harari
10 would be a paid consultant to WSI for 11 months at his then current salary; (c) WSI had the
11 right to extend the consulting agreement for a period of six months; and (d) Harari would
12 "continue to be bound by and comply with the terms of his Employee Agreement Regarding
13 Confidentiality and Inventions dated February 22, 1984" – the Inventions Agreement.

14
15 92. The obligations in the Inventions Agreement as extended by the Consulting and
16 Directorship Agreement included, among other things, three important obligations: (a) to
17 maintain in confidence and not to use or disclose any proprietary, confidential or knowhow
18 of WSI without the company's prior written consent; (b) to assign "all inventions,
19 improvements, discoveries and technical developments ("Inventions"), whether or not
20 patentable"; and (c) Harari's agreement that he would "not engage in any employment,
21 consulting or other activity in any business without the Company's express written
22 agreement."
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1 93. Furthermore, as a director of WSI, Harari continued in a position of trust and
2 confidence and had all of the same fiduciary obligations he previously had when he was an
3 officer and director.
4

5 94. On April 26, 1988, less than two months after resigning as an officer of WSI,
6 but while still serving as a director of and consultant to WSI with a continuing obligation to
7 assign inventions to WSI, Harari filed Patent Application 07/185,699 with the USPTO which
8 resulted in U.S. Patent 4,933,739, entitled "Trench resistor structures for compact
9 semiconductor memory and logic devices." This patent relates to memory devices that were
10 within WSI's line of business.
11

12 95. On June 8, 1988, while still serving as a director of and consultant to WSI with
13 a continuing obligation to assign inventions to WSI, Harari filed Patent Application
14 07/204,175 with the USPTO, which resulted in twenty-two issued patents. This application
15 related to flash memory products that were within WSI's line of business.
16
17

18 96. On July 8, 1988, while still serving as a director of and consultant to WSI with
19 a continuing obligation to assign inventions to WSI, Harari filed Patent Application
20 07/216,873 with the USPTO, which resulted in three issued patents. This application related
21 to memory products that were within WSI's line of business.
22

23 97. On March 15, 1989, Harari filed Patent Application 07/323,779 with the
24 USPTO, which resulted in U.S. Patent 5,070,032, entitled "Method of making dense flash
25 EEPROM semiconductor memory structures." This patent relates to flash memory devices
26 that were within WSI's line of business.
27
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1 98. On March 21, 1989, Harari tendered his resignation from the Board of Directors
2 of WSI, requesting that his resignation date be back-dated to March 15, 1989 – the same day
3 he had filed his most recent patent application. Harari made this request without disclosing
4 to the Board that he had filed any of the above-referenced patent applications.
5

6 **Harari Filed Two Patent Applications Three Weeks After**
7 **Tendering His Resignation as a Director of WSI**

8 99. In addition to the four applications Harari filed while still a director of WSI,
9 Harari filed two more patent applications three weeks after tendering his resignation as a
10 director of WSI, but before the Board of Directors accepted his resignation. On information
11 and belief, STM alleges that the inventions disclosed in these applications were invented and
12 developed while Harari was an officer and/or director and/or a consultant of WSI.
13

14 100. Specifically, on April 13, 1989, Harari filed two patent applications with the
15 USPTO – numbered 07/337,566 and 07/337,579. These applications related to flash
16 EEPROM memories which were then under development at WSI. Patent Application
17 07/337,566 has resulted in the issuance of twenty-one patents and Patent Application
18 07/337,579 has resulted in the issuance of two patents.
19

20 101. On May 17, 1989, the Board of Directors of WSI met and accepted Harari's
21 resignation effective after the Board meeting of March 15, 1989. The Board agreed to
22 Harari's request to back-date his resignation without knowing that Harari had filed patent
23 applications on (a) April 26, 1988; (b) June 8, 1988; (c) July 8, 1988; (d) March 15, 1989; and
24 (e) April 13, 1989.
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**While an Employee, Officer and/or Director of WSI, Harari
Only Disclosed and Assigned One Patent Application to WSI**

102. On information and belief, Harari did not disclose any of the following six patent applications to WSI at any time: (a) 07/185,699; (b) 07/204,175; (c) 07/216,873; (d) 07/323,779; (e) 07/337,566; or (f) 07/337,579. WSI had no way of knowing of Harari's conduct, as patent applications filed with the USPTO are confidential and Harari did not disclose this information to WSI.

103. On information and belief, the ideas disclosed in these patent applications were known to or conceived by Harari while he was a director and/or consultant of WSI, and the evidence at trial may prove that he had known of or conceived of these ideas during his tenure as an employee and officer as well. Moreover, on information and belief, STM has contended that Harari actively worked on the preparation of all these patent applications during his tenure as a director and/or consultant to WSI, and that Harari concealed this activity from WSI.

104. These six patent applications all contain ideas and designs that would have benefitted the design and development work being done at WSI on flash memory and materially aided it in competing with SanDisk to produce flash memory products.

105. In contrast to the six patent applications Harari filed in his own name without disclosing them to WSI, Harari disclosed only *one* patent application to WSI during his entire five-and-a-half year tenure as an employee, officer, director and/or consultant. Harari was forced to disclose that patent application because there was a co-inventor on the application who fulfilled his obligations to make the disclosure. In other words, Mr. Harari concealed

1 from WSI every patent application he was able to conceal because he was either listed as the
2 sole inventor or a co-inventor with a non-WSI employee.

3
4 106. Harari's assignment of only a single application to WSI is particularly
5 noteworthy in light of the significant number of applications he has filed during his career.
6 Over a period of twenty-eight years, Harari has filed 131 patent applications – an average of
7 almost five applications per year. However, Harari disclosed only one patent application to
8 WSI during his entire five-and-one-half year tenure as an employee, officer, director and/or
9 consultant of that company. In fact, from 1975 until 1983, Harari filed at least one patent
10 application each year.
11

12
13 107. However, in 1984, 1985, 1986, and 1987, all years during which Harari served
14 as an employee, officer and/or director of WSI, Harari did not file a single patent application.

15
16 108. In the years following his departure from WSI, from 1989 until 2002, Harari
17 filed at least *four* patent applications *each* year. Indeed, within the first five months after
18 Harari resigned his position as CTO of WSI, while still a director and consultant to WSI with
19 an obligation to assign inventions, Harari filed three different applications with the USPTO
20 – none of which was disclosed or assigned to WSI. Each of these patent applications likely
21 would have been in process for months before filing with the USPTO.
22

23 109. Perhaps most tellingly, Harari filed an application on March 15, 1989, a date
24 which he later requested be set as his effective date of resignation from the board of directors
25 of WSI. Harari's attempt to back-date his resignation to coincide with the filing of this
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1 application is clear evidence of his intent to conceal his patent filing activities from WSI, and
2 to obtain for himself patent rights that he know should have been assigned to WSI.

3
4 **Harari Founded SanDisk, a Competitor of WSI,**
5 **While Serving as a Director of WSI**

6 110. On or about June 1998, Harari founded SanDisk.

7 111. Harari founded SanDisk while serving as a Director of WSI, and therefore was
8 under a fiduciary obligation not to enter into any business in competition with WSI.
9 Moreover, Harari had a fiduciary obligation to present corporate opportunities in WSI's line
10 of business to WSI, and not to appropriate such opportunities to himself or another company.

11
12 112. On information and belief, WSI, since its inception, has focused its research and
13 development efforts on developing flash memory technology since at least 1987, and was
14 continuing to develop such technology at the time SanDisk was formed by Harari.

15
16 113. Moreover, at the time Harari founded SanDisk, he was well aware of WSI's
17 research into flash memory technology. Harari served as CTO of WSI, and thus headed
18 WSI's research efforts on flash memory until February of 1988. As a Director of WSI, Harari
19 received reports regarding WSI's flash memory work until at least January of 1998, several
20 months after he founded SanDisk and filed four of the patent applications whose ownership
21 is at issue in this suit.

22
23 114. From its inception and founding by Harari, SanDisk was in direct competition
24 with WSI. As an officer and/or director of WSI, Harari had an obligation to present any
25 corporate opportunity appropriate for WSI. Harari's involvement with concerted action on
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1 behalf of SanDisk has seriously impeded STM's capacity to compete in the manufacture and
2 sale of flash memory products.

3
4 115. Furthermore, in aid of SanDisk's monopolization, Harari assigned the patents
5 which resulted from the above-described applications to SanDisk, thereby benefitting a
6 company in direct competition with WSI to whom he owed fiduciary duties of loyalty and
7 good faith. Those assignments have resulted in competitive injury to STM, the successor-in-
8 interest to WSI.
9

10 116. If SanDisk and Harari had not wrongfully converted the patents described
11 above, STM would be a much more viable competitor in the relevant market for flash memory
12 products, with the result that there would be more competition and lower prices.
13

14 **Threats to Customers of Competitors**

15 117. In addition to the use of threats of infringement directed at its competitors for
16 the alleged use of fraudulent or converted patents to exclude them from the relevant market,
17 SanDisk has threatened members of the proposed Class who purchase flash memory from
18 SanDisk competitors. SanDisk has threatened such class members with the prospect that they
19 will be left holding large quantities of unusable flash memory products manufactured by STM
20 and others that refuse to license SanDisk's fraudulent or converted technology (if SanDisk's
21 claims infringement actions are successful). SanDisk has also threatened members of the
22 proposed Class who purchase from SanDisk competitors that they will be made to purchase
23 flash memory at disadvantageous prices and terms if they are later forced to turn to SanDisk
24 to receive the necessary flash memory for their products. In a successful effort to drive
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1 customers from STM, SanDisk has also enforced document and deposition subpoenas against
2 numerous STM customers.

4 INJURY TO COMPETITION

5 118. Aided by Defendant Harari, SanDisk has monopolized the Flash Memory
6 Relevant Market by exclusionary patent fraud and patent conversion, as well as threats to
7 competitor customers. SanDisk has succeeded in driving STM out of the flash memory
8 business. In 2008 STM transferred its flash memory business to a joint venture with Intel
9 Corporation. This occurred after SanDisk inflicted more than \$20 million in legal fees on
10 STM in the defense of SanDisk's three patent claims. As a consequence of the
11 monopolization, SanDisk and joint ventures under its control have sold flash memory products
12 at above-competitive, monopoly prices to members of the proposed Class in the Flash
13 Memory Relevant Market and injured competition therein.

16 COUNT ONE

18 (Conspiracy to Monopolize)

19 119. Plaintiff incorporates the allegations of paragraphs 1 through 118 as though set
20 forth here in their entirety.

21 120. SanDisk and Harari have conspired to monopolize, and have monopolized and
22 maintained a monopoly in, the Flash Memory Relevant Market.

23 121. They have done so with specific intent to monopolize and have accomplished
24 this through numerous overt acts, including fraudulent omissions and misrepresentations in
25 connection with the filing and prosecution of the '338 and '517 patents, by concerted conduct
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1 to exploit those invalid patents so as to exclude competition, by the concerted conversion of
2 WSI/STM patents so as to reduce competition in the relevant market, and by threats to
3 competitor customers in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2. SanDisk's
4 monopolization strategy has been implemented in concert with Defendant Harari, who has
5 profited from and aided the conspiracy and who had the specific intent to assist SanDisk in
6 its monopolization even though he was an employee and officer of, and owed fiduciary duties
7 to, WSI.
8

9
10 122. SanDisk is engaged in interstate and foreign commerce, and the vast majority
11 of its past, present, and future sales in the relevant market has and will occur in such
12 commerce.
13

14 123. As a direct and proximate result of Defendants' unlawful concerted conduct,
15 competition in the relevant market has been severely harmed through higher prices and
16 reduced competition, quality, innovation, and consumer choice to the detriment of consumers.
17

18 124. As a direct and proximate result of Defendants' unlawful conduct, the members
19 of the proposed Class have been injured in their business or property by the payment of above-
20 competitive pricing.
21

22 COUNT TWO

23 (Monopolization)

24 125. Plaintiff incorporates the allegations of paragraphs 1 through 118 as though set
25 forth here in their entirety.
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1 126. SanDisk has monopolized the Flash Memory Relevant Market, and maintained
2 that monopoly, by fraudulent omissions and misrepresentations in connection with the filing
3 and prosecution of the '338 and '517 patents, by conduct to exploit invalid patents so as to
4 exclude competition, by the conversion of WSI/STM patents so as to reduce competition in
5 the relevant market, and by threats to competitor customers in violation of Section 2 of the
6 Sherman Act, 15 U.S.C. § 2.
7

8
9 127. SanDisk is engaged in interstate and foreign commerce, and the vast majority
10 of its past, present, and future sales in the relevant market has and will occur in such
11 commerce.
12

13 128. As a direct and proximate result of SanDisk's unlawful concerted conduct,
14 competition in the relevant market has been severely harmed through higher prices and
15 reduced competition, quality, innovation, and consumer choice to the detriment of consumers.
16

17 129. As a direct and proximate result of SanDisk's unlawful conduct, the members
18 of the proposed Class have been injured in their business or property by the payment of above-
19 competitive pricing.
20

21 PRAYER FOR RELIEF

22 WHEREFORE, Plaintiff individually and as a representative of members of the defined
23 proposed Class, prays that:

24 A. This Court declare that Defendants' conduct constitutes a violation of Section
25 2 of the Sherman Act, 15 U.S.C. § 2.
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1 B. This Court permanently enjoin Defendants and their agents and employees from
2 continuing their unlawful actions set forth herein;

3
4 C. Plaintiff recover treble damages;

5 D. Plaintiff recover its reasonable attorneys' fees and costs as allowed by law;

6 E. Plaintiff recover pre-judgment and post-judgment interest at the highest rate
7 allowed by law; and

8
9 F. Plaintiff be granted such other and further relief as the Court deems just and
10 equitable.

11 **JURY DEMAND**
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1 Dated: June 24, 2010

Respectfully submitted,

2
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Appendix A

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UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA
 (SAN JOSE DIVISION)

SANDISK CORPORATION,

Plaintiff,

v.

STMicroelectronics, Inc. et al.,

Defendants.

CASE NO. C 04-04379 JF

**ADMINISTRATIVE MOTION
 TO CONSIDER WHETHER
 CASES SHOULD BE RELATED**

(N.D. Cal. Civ. L.R. 3-3, 3-12 and 7-11)

Pursuant to Local Rule 3-12(b), Ritz Camera and Image, LLC (“Ritz Camera”), hereby respectfully submits this Administrative Motion to Consider Whether Cases Should Be Related. Ritz has just filed a case in this court, *Ritz Camera and Image, LLC v. Sandisk Corporation et al.*, No. _____, the allegations of which involve the same conduct and many of the same claims involved in this case and in other cases which this Court has already deemed to be related.

The undersigned counsel have conferred with counsel of record in this case, which has [agreed to stipulate] [refused to stipulate] that *Ritz Camera* is a related case.

Ritz Camera submits that under any prevailing standard the cases are “related.” Therefore, it submits that the interests of justice and judicial economy favor recognizing that the cases are related pursuant to Local Rules 3-3 and 3-12.

The Actions Involve Substantially The Same Conduct

Cases are related when the following requirements are satisfied:

1 (1) The actions concern substantially the same parties, property, transaction or event;
2 and

3 (2) It appears likely that there will be an unduly burdensome duplication of labor and
4 expense or conflicting results if the cases are conducted before different Judges.

5 Local Rule 3-12(a).

6 Manifestly, the first criterion of Local Rule 3-12(a) is met – that “[t]he actions concern
7 substantially the same parties, property, transaction or event.” SanDisk Corporation (“SanDisk”) is
8 a party in both cases, the same patents are involved in both cases, and both cases focus on the same
9 conduct by SanDisk – specifically, the validity of SanDisk’s ’338 and ’517 patents and SanDisk’s
10 conduct monopolizing alleged relevant markets for flash memory products through the fraudulent
11 acquisition of patents and the misuse and enforcement of such patents to exclude competition. The
12 same relevant product markets, products, and patents are involved in both cases.

13 Specifically, both SanDisk’s complaint and STMicroelectronics’s counterclaim in this case
14 involve the same conduct, patents, and legal standards at issue in Ritz Camera’s claims. SanDisk’s
15 complaint necessarily involves the issue of the validity of its ’338 and ’517 patents.
16 STMicroelectronics’s counterclaims involve the same relevant markets, the same allegations of
17 misrepresentation and fraud upon the Patent and Trademark Office, and the same allegations of
18 monopolization as the Ritz Camera claim.

19 Flash memory chips are typically placed on various-sized cards with controllers, and these
20 cards are used to store digital information for mobile phones, digital cameras, digital video
21 camcorders, gaming devices, portable digital audio/video players, personal computers, and global
22 positioning systems (GPSs). Ritz Camera – like STMicroelectronics in its matter before this Court
23 and in State court matters – alleges that SanDisk has unlawfully seized control of the worldwide
24 production of flash memory products by obtaining and employing fraudulent and unlawfully-
25 converted patents.

26 As a consequence, SanDisk controls over 75% of all flash memory products sold worldwide
27 and has monopolized this relevant product market. As a consequence, SanDisk and Toshiba
28

1 Corporation (and its subsidiaries) have charged above-competitive, monopoly prices to the direct
2 purchasers of flash memory products, including Ritz Camera.

3 Like STMicroelectronics, Ritz Camera has made the same relevant market allegations: a
4 flash memory product market and, in the alternative, a high-density flash memory product market.
5 Like Ritz Camera, STMicroelectronics alleges that SanDisk and entities under its control engaged
6 in a course of unlawful conduct intended to monopolize those markets.

7 The conduct Ritz Camera alleges in its complaint is the same conduct that was at issue in this
8 case. SanDisk engaged in extensive misrepresentation to the U.S. Patent and Trademark Office,
9 including pervasive failure to disclose prior art known to SanDisk that would have shown that
10 SanDisk's patents were invalid. These claims include so-called "*Walker Process*" claims that
11 SanDisk unlawfully misrepresented that the '338 patent involved a permanent (rather than
12 incremental or temporary) inhibit function (or "latch"), in order to defeat reexamination claims
13 brought by Samsung Corporation in response to SanDisk's infringement claims; and repeatedly
14 failed to disclose prior art in connection with both the '338 and the '517 patents (including prior
15 art covered by patents issued to Richard Simko (the "Simko patents"); to Toshiro Koyama and
16 Tsugio Tawara (the "JP-100 patent"). Indeed, Japanese patent authorities rejected SanDisk's patent
17 request – identical to claim 1 of its '517 patent – as obvious in light of the JP-100 patent prior art;
18 to Robert Sparks and others (the "Sparks patent"); and to Hartmut Schrenk (the "GB 145 patent").
19 SanDisk also failed to disclose a paper presented to the VLSI (Very Large Scale Integration)
20 Symposium in 1992 that established that the supposedly novel latch set forth in the '338 patent was
21 in fact a standard two-way data latch, rather than the "one-way latch" that SanDisk later claimed.

22 Ritz Camera has also made additional allegations relating to other conduct by SanDisk that
23 also contributed to the monopolization of the relevant product markets. These allegations involve
24 the same conduct alleged in other cases before this Court which this Court has already deemed to
25 be "related" to this case. See Docket No. 59 (Order Relating Cases) (Nov. 23, 2005); Docket No.
26 168 (May 8, 2008) (Stipulation). In two consolidated cases deemed "related" to this case
27 (*STMicroelectronics, Inc. v. Harari et al.*, Case Nos. C 05-4691 JF, filed Nov. 16, 2005, and C 08-
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2332 JF, filed May 6, 2008),¹ STMicroelectronics alleged that Eliyahou Harari and SanDisk had engaged in unfair competition by converting numerous patents to SanDisk's ownership that rightfully belonged to STMicroelectronics. These claims are similar to other claims made by Ritz Camera in its complaint. Both Ritz Camera and STMicroelectronics allege that Harari was an employee, officer, and director of STMicroelectronics's predecessor-in-interest Wafer Scale Integration, Inc. ("WSI"), and had a contractual obligation to assign all patents for all inventions he developed during his employment. Both Ritz Camera and STMicroelectronics further allege that, despite this obligation, Harari filed six patent applications for work performed during his employment but assigned them not (as required) to WSI but to SanDisk, which he founded in competition with WSI while employed by, and in violation of his obligations to, WSI.

This Court has already deemed these cases brought by STMicroelectronics against Harari and SanDisk to be "related" to this case. *See* Docket No. 59 (Order Relating Cases) (Nov. 23, 2005); Docket No. 168 (May 8, 2008) (Stipulation). The fact that Ritz Camera's claims overlap substantially with these cases is further reason for deeming Ritz Camera's case to be "related" to this case.

**Treating The Cases As Related Will Prevent Unduly Burdensome
Duplication And Potentially Conflicting Results**

Treating cases as related is called for if there will be either an unduly burdensome duplication of labor and expense or conflicting results. Local Rule 3-12(a)(2). Although it is sufficient to meet either criterion, Ritz Camera submits that both of these are met here. Local Rule 3-12, on treatment of related cases, applies equally to any case that "is *or was* pending in this district." (Emphasis added.) It therefore makes no difference that this case has settled, if treating the cases separately will result in an unduly burdensome duplication of labor and expense or conflicting results under 3-12(a). Indeed, SanDisk itself has asked this Court to deem cases related when one of the cases was no longer pending. *See* Docket No. 168 (May 8, 2008).

¹ For the Order granting consolidation (May 30, 2008), *see* Docket No. 102 in Case No. C 05-4691 JF, and Docket No. 14 in Case No. C 08-2332 JF. Both cases, which had been removed to this Court, were ultimately remanded to state court.

1 Ritz Camera submits that this is plainly the case here. This Court presided over this case for
2 five years during which the case was extensively litigated and brought to the eve of trial. This
3 necessarily involved this Court's substantial consideration of the facts, issues, and legal standards
4 at issue in the case, including extensive proceedings on claims construction, motions to dismiss, and
5 summary judgment. *See, e.g.*, Docket No. 116 (motion to dismiss counterclaims); 149-150 (hearing
6 on motion to dismiss); 175 (summary judgment motion on counterclaims); 271-272 (summary
7 judgment hearing); 273 (order on summary judgment); 304-305 (case management conference); 308
8 (order on motions to bifurcate and amend); 311 (motion to dismiss some counterclaims); 328 (bench
9 trial date set on inequitable conduct).

10 Ritz Camera's allegations necessarily involve complex and highly technical issues of both
11 patent and antitrust law – issues that this Court has already had occasion to address over five years
12 in this case. To require a new judge to come fresh to these same issues would be needlessly
13 burdensome and duplicative, and would raise the risk of inconsistent adjudications.

1 Dated: June 24, 2010

Respectfully submitted,

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